



University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

This paper is made available online in accordance with publisher policies. Please scroll down to view the document itself. Please refer to the repository record for this item and our policy information available from the repository home page for further information.

To see the final version of this paper please visit the publisher's website. Access to the published version may require a subscription.

Author(s): Arthur Mühlen-Schulte

Article Title: Full Faith in Credit? The Power of Numbers in Rating Frontier Sovereigns and the Global Governance of Development by the UNDP

Year of publication: 2009

Link to published article:

<http://www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2009/26209.pdf>

Publisher statement: None

Full Faith in Credit? The Power of Numbers in Rating Frontier Sovereigns and the Global Governance of Development by the UNDP

Arthur Mühlen-Schulte
Copenhagen Business School
am.ikl@cbs.dk

CSGR Working Paper 262/09

**Centre for the Study of Globalisation and Regionalisation
Department of Politics and International Studies
University of Warwick**

Full Faith in Credit? The Power of Numbers in Rating Frontier Sovereigns and the Global Governance of Development by the UNDP¹

Arthur Mühlen-Schulte
Copenhagen Business School
am.ikl@cbs.dk

Abstract

The United Nations Development Programme (UNDP) is the oldest dedicated development institution in the multilateral system, yet remains one of the smallest in terms of funding and resources. This belies its central role in contributing to rankings, benchmarks and ratings which have defined the process of development for states, non-government organisations and the private sector. The UNDP created the Human Development Index (HDI), coordinates the benchmarks of the Millennium Development Goals (MDGs) and recently devised sovereign credit ratings in partnership with Standard and Poor's. In this regard mobilising numbers in support of development strategies is not new, yet it will be argued that the UNDP's development policy has seen a significant shift from the qualitative analysis of the HDI to the quantitative nature of credit rating. This paper will adopt a governmentality approach in looking at sovereign credit rating and the way in which the power of numbers informs the rationality underpinning the partnership between the UNDP and the rating agency Standard and Poor's. It concludes that while pursuing sovereign credit rating may be seen as 'capacity development' for the UNDP, it in fact represents a shift by the organisation toward quantitative practices that have particular consequences for the global governance of development.

Key words: UNDP, credit rating, capacity development, numbers

Introduction

The UNDP is an international organisation (IO) that relies on voluntary contributions and the delegated authority of member states to increase the social, technical, economic and governance capacity of developing countries. Its partnership with a credit rating agency (CRA), privately owned and contracted to conduct surveillance and compile information assessing risk for investment and profit, presents an interesting case in the changing nature of

¹ Early draft presented at the 'The Power of Numbers: Exploring the Use of Rating, Rankings and Benchmarking Schemes in Global Governance', GARNET Research Workshop organised by Professor Hans Krause Hansen. Copenhagen Business School. November 14th, 2008

modern development in contemporary global economic governance. One that emphasises the complicated nature of authority and shifting boundaries between public and private spheres of interest for states and organisations. Coming from a distinctly liberal mould, the extent and nature of the UNDPs 'capacity development' in economic and financial expertise has traditionally involved contracting expert advice aimed at empowering governments on specific issues. This is in contrast to the interventionist one-size-fits-all or 'neo-liberal' conditionality associated with the economic planning of the Bretton Woods Institutions. Nonetheless the UNDPs development policy has become framed by more normative market approaches to economic governance and development initiated by the UN Secretariat involving private actors, such as the Global Compact and corporate social responsibility (CSR) and Financing for Development in the pursuit of the Millennium Development Goals (MDGs).

The paper will specifically address the credit rating initiative as a partnership based on the core UNDP understanding of capacity development. It will be argued that while the rating initiative seeks to increase states' capacity by encouraging access to capital markets, it in fact represents a transformation of governance based on the traditional notion of capacity development as neutral expertise. This is a result of internal and external pressures on the UNDP that have shifted it toward quantitative approaches to development which diverge from the organisations' traditional non-interventionist and qualitative understanding of development. The relationship between IOs, states and CRAs, also generates new forms of partnership and practices which shift the relationships between the UNDP and States in unintended ways that can constrain capacity rather than enhance it. In order to understand these relationships and practices an analysis based on an understanding of Foucault's concept of governmentality will be adopted. In this understanding it is not so much the power of the state through unitary government which is focused on but the fact that state capacity is now subject to multiple governmental techniques and practices such as credit rating. More precisely 'governmentality...is at once internal and external to the state...[and] the continual definition and redefinition of what is within the competence of the state and what is not, the public versus the private...thus the state can only be understood...on the basis of the general tactics of governmentality' (Foucault, 1991:103). It will be shown through governmentality that it is the power of credit rating as a private and external 'technology of government' which actively enrolls and shapes the representations of all actors involved, including states and IOs, and promises to enhance capacity but simultaneously engages a wider arrangement of governance at a distance by market actors. It is not being suggested that the UNDP coercively enrolled states into the rating process as part of a higher ideology or understanding of what states 'should' do according to a fixed agenda. Rather, the power of credit rating alters understanding global governance in development in relation to the delegated authority of states to

IOs (Koremenos et al., 2001; Hawkins et al., 2006) as well as further problematising the role of ideas and bureaucrats agency (Barnett and Finnemore, 2004; Brunsson, 2002; St Clair, 2004) within the UNDP, as an atypical IO due to the historical nature of its structure, mandate and resources.

The article will first address the organisation of the UNDP looking at both the external and internal changes that prompted the credit rating initiative and how it ultimately conflicts with 'capacity development'. From the external perspective there can be seen a momentum beginning in the 1990s with a series of high level meetings which increasingly advocated closer engagement with private actors and a more quantitative approach to development by the UN System. This was in part a response to a crisis in funding as well as a rapprochement with the Bretton Woods Institutions (IMF and World Bank) after protests over the questionable imposition on developing countries of Structural Adjustment Programs (SAPs) and the Washington Consensus. These external pressures were not isolated from internal changes in the UNDP which were sparked by a new Administrator Mark Malloch-Brown in 1999. In outlining his reform of the organisation as 'The Way Forward' (UNDP, 2000) he placed the UNDP in charge of the Millennium Development Goals (MDGs) and ensuring the fulfilment of their ambitious targets. This also included the creation of new departments with the UNDP for dealing with resources and partnerships and an increasing emphasis on new management based on results and outcomes which lead to the credit rating initiative. Yet these changes and private tactics did not harmonise the core understanding of the UNDPs approach to state capacity development with and the need of societies to 'obtain, strengthen and maintain...capabilities [through] access to knowledge, experience and resources' (UNDP, 2008). It is through credit rating and partnership with S&Ps that it will be argued the core UNDP notion of capacity development becomes distorted, shifting governance away from the states and the organisation.

Secondly, the nature of Standard & Poor's (S&Ps) and the rating initiative will be addressed. This will look at how S&Ps conducts a rating before investigating the positive and negative aspects of sovereign rating in particular. For example, while ratings seems to offer access to capital markets that is both efficient and emphasises results it does not take into an account the ongoing expertise required by governments to negotiate these often opaque institutions. Likewise the CRAs attempt to assess political factors but also lack the expertise to analyse the particular governance and economic structures of the countries they rate which leads to questions regarding the involvement of organisations such as the UNDP (Abdelal, 2007:180). This creates problems in global governance (Murphy, 2000) that is delegated by states to IOs and the relation between the latter and new forms of private authority such as CRAs.

Finally, the rating process will be analysed through the theoretical perspective of governmentality and the nature of the partnership between UNDP and S&Ps which adopts rating as a particular technology that governs at distance. It is noted that while the rating process in itself is used to promote transparency and market interaction on one level, it also contains less obvious political characteristics when ratings are used to engage capital markets. The increasing use of scientific calculation in public life and a 'trust in numbers' has led to the increasing belief in the objectivity of various techniques of quantification that increase the validity of knowledge and conduct of actors in managing typically qualitative understandings of social processes (Porter, 1995). The aim here is to analyse a particular type of quantification through governmentality and open up an understanding of credit ratings used for development and the way in which they work through relationships and around actors, states or organisations.

The complex processes and relationships involved require an alternate understanding of power that can apply to both the process of rating and the nature of the partnership between S&Ps and the UNDP. Using this approach with S&Ps, the rating process and partnership, can be seen as technologies of government hired and mediated by the UNDP. From this it can be seen how expertise is enrolled and modes of governance in capacity development have shifted from consultation to more subtle managerial interventions based on results and performance. IOs such as the UNDP are under a particular liberal 'rational-legal' imperative in development to intervene by setting up projects and spending money while also being effective and accountable (Barnett and Finnemore, 2004). In order to do this they often treat countries more or less uniformly thus making numbers and ratings important in comparing and marking their performance. Yet ratings are not merely objective measures created by CRAs, they are powerful devices which allow scrutiny and surveillance at a distance and enrol multiple actors into a particular 'mental schemata' in the governance of finance (Sinclair, 2005:177). This understanding of power shows that actors such as the UNDP and S&Ps govern in partnership, but that this governing is constituted through rating, ranking or benchmarking states and the quantification of specific knowledge. Governmentality here questions this schemata and problematises the rationality which informs or creates the logic of rating as a technology of government linking states, IOs and private CRAs in capacity development. It does not provide causal explanations or seek to explain the individual effects of credit ratings on economic outcomes for particular states or populations involved.

It will be concluded that by tracing the rationality and nature of authority of rating as a technology of government we can see a distinct shift toward methods of quantification in capacity development employed by the UNDP on behalf of states. This is the result of both internal and external pressures on

organisations and states to be accountable and produce results in development. The pursuit of such objective measures is nonetheless based in the qualitative nature and social processes that development seeks to address. It is therefore important to analyse the changing nature of authority between the spheres of public and private that appear to address development but also represent distinct changes in the global governance.

UNDP and the Changing Multilateral Environment

Following the end of the Cold War the UNDP faced a sharp decline in its untied core voluntary contributions (UNDP, 2007c). In response to the rise in bilateral aid and decline in belief of donor states in the accountability of untied voluntary contributions, the UNDP and Secretariat launched a series of external conferences and initiatives sharply changing traditional UN development policy by seeking to incorporate private and market actors in development. This led to eventual internal reform and change in the UNDP initiated by Administrator Mark Malloch-Brown in 1999 that stretched the understanding of capacity development long held by the UNDP at the fore of its development practice. Malloch-Brown, a former World Bank employee and the first non-US Administrator, sought to reorient the UNDP by assuming the coordination and leadership of the MDGs and instituting results based management (RBM) into the governing structure of the UNDP (UNDP, 2000). While this met with the approval of some core donor states and fit the broader trajectory of private engagement by the UN System, it was also an ambitious agenda for such a dispersed organisation.

The UNDP is the largest and oldest multilateral development organisation spanning 166 countries at the core of the UN System evolving from the post-war Expanded Programme for Technical Assistance (EPTA). It is a unique organisation that does not fit the mould of other IO's due to the nature of its operational role defined variously as 'technical assistance', 'capacity building' or 'capacity development'. This has traditionally involved a network of contracted experts and coordination of the UN Specialised Agencies while maintaining the role of the UN Resident Representatives, the political point of contact in countries between states and the UN System. Murphy suggests the UNDP is best described as, '...a 'network', a system of 'partnerships', and a centre of cooperation...*not* simply a bureaucratic hierarchy of nested roles and their related obligations. It is...a decentralized complex of relatively autonomous...people and organizations' (Murphy, 2007:17 -19).

The structure of the UNDP can be roughly divided into four levels of authority. The Executive Board comprised of 36 states, including donor and recipient countries; the Administrator and management offices; the 5 Regional Bureaux; and the Resident Representatives in country. Complicating these levels of authority are the multiple sources of material input and partnerships

including principal states, multilateral organisations, NGOs and the private sector totalling approximately \$5 billion USD per annum. Untied core contributions at the discretion of the UNDP total almost a fifth of the budget and is almost entirely donated by 15 countries (UNDP, 2005). The bulk of funding, over three fifths of the budget, is tied and negotiated by donors under the UNDPs thematic areas. The decrease in core untied funding by some 35% between 1992 and 1997 (UNDP, 2007c) increased the current imbalance with tied resources and in part spurred new initiatives for development funding and internal reform. This complex resource allocation also reflects the organisation of the UNDP and the multiplicity of authorities and relationships that are now part of its external and internal partnerships in pursuing capacity development.

While early ideas for incorporating private initiatives into the UNDP's development agenda date back to the late 1980s (Murphy, 2007:237-8), the key events in the increasing interaction of the UNDP with private actors officially began with the 1992 Rio Conference on Sustainability and Development. This was followed by the World Summit for Social Development in Copenhagen 1995 which introduced the idea of credit rating (Kaul and Weitz, 1997), the 1999 Global Compact, the 2000 Millennium Development Goals (MDGs) and the 2002 Monterrey Conference on Financing for Development. In April 2002, Colin Powell opened a conference at the State Department announcing that the US Government was prepared to help African countries obtain sovereign credit ratings citing the need to give 'courage to capital' (Powell, 2002). A month later, in May, the Standard & Poor's/UNDP Credit Rating partnership was launched at the annual meeting of the African Development Bank (AfDB) in Addis Ababa (S&Ps, 2006). This was followed up a year later in 2003 by the UNDP hosting the first African Capital Markets Development Forum in cooperation with the New York Stock Exchange and African Stock Exchanges Association aimed at finding ways to boost foreign investment, encourage dialogue between African countries, negotiate grant financing and obtain sovereign credit ratings (IMF, 2003; UNDP, 2007). In this context the UNDP not only set out a deeper interaction with private actors and under the ambitious timetable and platform of the MDGs in benchmarking progress and increasing donor confidence, but initiated credit rating as a development strategy. In doing so a subtle shift was also made from the distinct advocacy and qualitative analysis of development to more pragmatic and quantitative approaches in the practice of development.

The use of different rankings and benchmarks has grown considerably in the UNDPs development work over the past two decades. The Human Development Report initiated in 1990 also contains the Human Development Index (HDI) that increasingly built over the last decade the basis for the benchmarks set by the MDGs agreed on in 2000. The HDI collects data on social aspects of countries such as levels of education, health and welfare that are compiled to create rankings of life quality. It grew out of opposition to the

dominance of neo-liberal economic rationality epitomised by the structural adjustment programmes (SAPs) of the 1980s and neo-classical economic models based on growing GDP (Murphy, 2007). The HDI rankings and the social indicators it addresses opened up new avenues for reframing how development was addressed through broader social concerns for health and education that underpin macro economic conditions. The HDI also created a powerful standard based on the number of people in the world living on less than one dollar a day which contributed to the creation of the benchmarks embodied by the MDGs.

Although the intention of both the HDI and MDGs is the improvement of living standards for the very poorest of the world's population, they in fact represent a divergence within the UNDP between advocacy based on qualitative analysis and practice seeking quantitative measures and results. This shift in logic can be seen as a result of pressures in resource mobilisation that have moved the emphasis from traditional publically funded multilateral governance to the new private actor partnerships in development. On another level it is the UNDP, in response to the external demands of states seeking accountability and results, that has shifted its internal policy toward practices deemed legitimate in the eyes of donor states and in line with similar strategies of the Bretton Woods Institutions. The proximity in timing of the launch of credit rating partnerships by the U.S. State Department and the UNDP with Standard & Poor's coinciding with the Monterrey Conference on Financing for Development and the launch of the Millennium Challenge Account by US State Department 2002 (Mawdsley, 2007), is therefore no coincidence. It highlights how broad and public consensus on such quantitative market strategies has become, strengthened by coalitions between states, IOs and private entities and in particular convergence in policy between the major development organisations of the World Bank and the UNDP. What separates development practices by the UNDP is the complicated evolution of capacity development in the UN (Fromerand, 2003:17, resulting from the particular historical structure of development in the UN (Emmerij et al., 2005) and the uncertain nature of the UNDPs resources through voluntary contributions.

Capacity development is the central focus of the UNDP which seeks to empower people and institutions 'to set and achieve their own development objectives' (UNDP, 2008). It is based on the original operating procedure and early UN work of 'technical assistance' through the transfer of skills, resources and institutions from which the UNDP evolved. The 'UNDP's coordination work is [then] about building the capacity of government's, the capacity to take on the task themselves either individually, within each country, or collectively, through the United Nations' (Murphy, 2007:13). While the credit rating initiative certainly fits with previous examples of UNDP work in building the economic and financial capabilities of developing states like Singapore (Murphy, 2007:101-3), there is a notable difference in the

context and nature of the rating process as it was organised and carried out at a distance from the countries involved. The initiation of the ratings, through various recommendations of summits and donor states seen above, led to the sponsorship by the U.S. State Department and the UNDP of the initial ratings. The scheme which seeks to fulfil part of the MDGs goals on poverty is also heavily influenced by the poverty reduction strategies and debt relief agendas of the Bretton Woods Institutions (Murphy, 2007:310; S&Ps, 2006). Whether credit rating is being suggested as transparency to promote better economic practices or a serious step toward accessing global capital markets to bridge the gap of development assistance (UNDP, 2007; S&Ps 2006; Kaul and Conceicao, 2006) it is problematic introducing financial methods which encourage debt financing to already heavily indebted countries with weak institutional capacities. If capacity development is to mean to build on nascent opportunities and encourage institutions existing in countries then the need for the UNDP to pay for ratings does not accord with sustainable, voluntary or technical assistance as part of capacity building which helps 'governments to identify what capacity exists in terms of skills, knowledge, institutions and relationships' (UNDP, 2009). It instead changes the role of the UNDP delegating authority between states to one that mediates the authority of credit ratings and states, enrolling the latter into a specific type of governance by private actors.

S&Ps: Sovereign Credit Rating Partnership

The rise of credit rating agencies (CRAs) in sovereign credit rating in the world revolves around the central change in the world economy and shift to the disintermediation of finance following the collapse of the Bretton Woods system. In particular CRAs now perform a key function in the 'international creditor economy' by creating access to capital which circumvents the traditional role of banks in lending practices as well as conditioning or 'civilising' the practices of states (Seabrooke, 2006). The particular CRA in this case, Standard and Poor's (S&Ps), was contracted by the UNDP on behalf of developing states seeking to engage capital markets and investment. This engagement was the result of both the external and internal processes affecting the UNDP described above, but also based on a particular set of conditions seeking to encourage investment and transparency measures in combination with debt relief measures for developing states that relied on the particular strength capital market finance the central role of rating agencies, under the debt relief schemes of the World Bank and IMF.

Rating agencies emerged from market surveillance mechanisms aimed at the assessment of creditworthiness. They form the basis of the way in which an entity whether firm, municipality or state can now borrow money by issuing bond securities. The process of determining the rating is complicated by the difference in size and ability of individuals, companies and states to manage

capital markets rather than loans through traditional banks. Referred to as the disintermediation of finance, where the traditional intermediary role of the bank which decided creditworthiness has been weakened, capital is sought instead through structuring debt on more opaque capital markets (Sinclair, 2005; Seabrooke, 2006). With the internationalisation of companies and growth in complexity of financial systems which comprise these capital markets, ratings have developed new and more complicated ways also. This seen most clearly in the recent failure of the CRAs during the sub-prime crisis in determining creditworthiness of companies and even their complicity in designing newly structured complex financial packages based on derivatives, that have stretched their analytical capability based on dubious new ratings scales and responses (Sinclair, 2005:27; Lowenstein, 2008). The ratings addressed in this paper refer to solely to sovereign credit ratings applied to states, however the principle behind rating corporations or any entity is essentially the same.

In practical terms S&Ps employ similar numbers of staff to the UNDP, around 5,000 in over 20 countries, and based also in New York the company 'provides widely recognized financial data, analytical research and investment, and credit opinions to the global capital markets...an organisation that has been a world leader for more than a 140 years' (S&Ps, 2006). S&Ps, Moody's and the French based Fitch now form the three largest international CRAs which hold a virtual oligopoly over international corporate and sovereign rating. While the history and growth of credit rating agencies is well documented elsewhere (Sinclair, 2005), it is important to address the rating process here to understand why they are so influential.

Essentially the rating process consists of gathering information, both qualitative and quantitative, on the economic and financial viability of actors wishing to issue debt to raise capital in markets. After information is compiled an analytical determination by experts issues a grade or rating which initiates a process of surveillance by investors who determine the value of the debt issued as bonds. Ratings are typically requested and paid for by the entity being rated otherwise or the 'issuer' of bonds, or in this case they are paid for by an outside institution such as the partnership with the intermediary of the UNDP. Information for ratings is gathered from many sources with cooperation from the issuer on confidential quantitative hard numbers concerning internal finance and economy as well as qualitative aspects of management structures, policies of the company or government involved. Ideally this is combined or corroborated with external information from other sources in the surrounding environment before the analytical determination (Sinclair, 2005:30). It is this final determination that decides the rating which is the most contentious and difficult part of the exercise. Sinclair describes the process whereby,

...agencies assemble analytical teams that undertake research, meet with issuers, and prepare a report containing a rating recommendation and rationale. The teams present their view to a

rating committee of senior agency officials, which makes the final determination in private...the most secretive aspect of the rating business is the analytical process for producing bond rating judgements. (Sinclair, 2005: 33)

The secrecy of methodological approaches between CRAs creates some discrepancy between final ratings but is explained both from the CRAs perspective and that of investors as maintaining some competitive edge for the former while providing a choice for the latter consumers of the information in making their decision (Mosely, 2003:137). The problem that arises in the output of the ratings is the objectification of knowledge that becomes authoritative due to volume and complexity of rating products sold by these companies (Sinclair, 2005: 35-40). Added to this is the continued surveillance requiring ongoing renewal of the ratings which disciplines states according to investors profit, rather than domestic demands, to ensure the ability to repay debt and raise capital in the future. On a governance level this is seen as transparency, a key goal for the UNDP/S&Ps initiative which seeks to build faith and stability in African markets based on a combination of the power of ratings, yet it also requires the development of expertise and resources of governments to manage a relationship which is heavily scrutinised and governed by a multiplicity of investors disconnected from the processes of government.

CRA authority can then be understood as power through ratings based on information which is used to generate capital by states for profit maximisation by investors. The ability of CRAs to conduct economic surveillance of firms and states through the 'scientific' process of rating endows them with a particular authority derived from knowledge and expertise that can constrain and empower states. This power is based on an idea of objectivity which appeals for transparency and increasing the trust investors and populations, that places CRAs in authority as part of governing structures that manage global finance. It is this appeal to transparency and the promise of investment that can strengthen the autonomous governing capacity of states by which the UNDP seeks to ensure the stability of their economic and social structures. Yet these same standards of transparency have not been applied to the CRAs and the subjective and secret nature by which they determine their ratings. There is then an obvious need to address not only how CRAs obtain political power but their own political role and authority that stems from the power of ratings.

Rating and Partnership

S&Ps rated 111 sovereigns in 2006 with an aim to add 25-50 over the next decade (Beers, 2006). The partnership between the UNDP and S&Ps that began in 2002 now extends to a total of 16 rated African countries with Kenya and the Seychelles added in 2007ⁱ along with Eastern European countries,

Macedonia and Georgia and the first Asian country being Sri Lanka in 2005. The important difference here to the credit ratings obtained by Latin American and Asian countries in the late 1990s is the sponsorship provided by the US Government and UNDP which brings into question the use of public funds to obtain private market authority (Hall and Bierstecker, 2002) and on behalf of developing states.

The first reason cited for organising sovereign credit ratings for developing countries by the UNDP is goal number 8 of the MDGs targeting 'the mobilization of resources to fight poverty' (S&Ps, 2006). By helping countries integrate their economies into the mechanics of global finance markets this provides transparency and encourages confidence for investment all the way down the chain to the local level of business (S&Ps, 2006). A second answer is that by cooperating with CRAs in risk analysis the UNDP management is engaging new practices in line with market techniques (Power, 2007) that seek to compliment the IMF and World Bank's International Development Association (IDA) debt relief programs by providing means to accessing capital to fill the gap between Official Development Assistance (ODA) and debt relief (S&Ps, 2006). Termed the Multilateral Debt Relief Initiative (MDRI) the IMF and World Bank in cooperation with the African Development Bank has sought to fund full debt relief under particular conditions for a specified group of Heavily Indebted Poor Countries (HIPC). As Abrahamson points out this initiative has grown into 'partnerships' between developing countries and donors, represented by the Bretton Woods Institutions, which returns 'power and influence to African states through 'ownership' whereby 'policy reform and institutional development should not be imported or imposed, but must be homegrown' (Abrahamson, 2004:1455). As we have seen with regard to the UNDPs notion of capacity development this is hardly a revolutionary idea yet in relation to the Bretton Woods Institutions 'the claim to ownership and consultation are also challenged by the fact that the current poverty reduction strategy remains firmly within the neo-liberal economic policies of the structural adjustment period' (Abrahamson, 2004:1457). It is perhaps as a result of this that there is a distinct reluctance by the UNDP and the surprisingly few staff aware of the rating initiative to go into detail about the nature of the scheme.

The initiative appears to have been formulated primarily as a 'one off' foray in the early attempts by the UNDP to engage private actors. It was heavily influenced by the Bretton Woods Institutions and a report they commissioned from Price Waterhouse Coopers into emerging markets capacity (Interview, UNDP, 2009). The scheme was initiated and led by UNDP Associate Administrator Zephirin Diabre, former Minister of Economy, Finance and Planning in Burkina Faso, with around 230,000USD as seed money for entry ratings. It was an attempt to harness 'ascendant capital markets' and prove new ideas seeking to engage private actors in 'operational partnerships' that would 'build donor trust' with the UNDP (Interview, UNDP, 2009).

According to the UNDP, S&Ps ratings occur every 2-3 years. An initial rating costs around \$80,000 USD with subsequent ratings around \$40,000 USD (Interview, UNDP, 2007). Why then is the UNDP needed to pay such small amounts? At this cost ratings are affordable for even the poorest countries and indeed many were rated before the UNDP became involved in 2002. Therefore the problem does not lie with the intention or perception of what ratings hope to achieve but the changing nature of development policy which, increasingly quantitative, preferences partnerships with private authorities such as CRAs that produce ratings that are often controversial and selective in nature. It is noted within the UNDP by economists who have independently advised governments not to participate in the initiative (Interview UNDP Africa Bureau, 2007), but seek alternate ratings by entities such as the African Development Bank with a greater understanding of local context and economies.

The role of ratings must not be overstated here as the UNDP points out, 'credit ratings are part of a multi-faceted strategy of reducing poverty in Africa. The strategy aims to increase economic growth in given countries by encouraging significant investment resources, through a combination of overseas development aid, foreign direct investment (FDI) and most importantly, through private capital markets - both domestic and foreign' (Africa Investor, 2004).

What ratings then actually mean in material return and what their effects are on developing countries in the new global economy is also much harder to gauge than measuring or evaluating traditional Official Development Assistance (ODA) or Foreign Direct Investment (FDI). The literature in the field that does attempt to understand the effects and results of ratings is primarily econometric and observes changes in investors reaction to markets and the spread of bonds (Cantor and Packer, 1996; Carlson and Hale, 2002) or explaining the effects of ratings on financial markets through country risk and stock returns (Kaminsky and Schmukler, 2002). More analytical accounts suggest that ratings in 'frontier economies' (Mosley, 2003) such as Africa may improve attitudes and encourage some investors in dispelling traditional bias about unreliable service markets. Other suggest that ratings are unlikely to have much effect on primary resource oriented economies in which industry sectors produce their own risk assessment and in fact that heavily indebted countries won't be able to issue bonds at non-concessional rates (Lehmann, 2002). The assessment by S&Ps in their reports for 'filling the funding gap' are therefore hypothetical scenarios based on the particular debt level of countries under the MDRI. While the report is filled with caveats based on 'governance standards' and the limits of non-concessional terms due to 'narrow revenue bases' (S&Ps, 2006), yet there is one final aspect as to why credit rating is promoted as a viable strategy to already indebted countries. It originates in the more politically sensitive colonial history of some West African states, and in the case of some countries the scheme also aimed at

circumventing the entrenched institutional restrictions of the post-colonial banking sectors. Former French colonies in particular have struggled with financial liberalisation under institutions heavily controlled by Francophone banking systems and elites in government (Lavelle, 2001:727-9).

The issue of credit rating as an internal organisational initiative and external mechanism presents an interesting case in the changing nature of legitimacy and authority in development and global governance, but actual private sector partnerships in total only constitute contributions of around \$100 million USD in UNDP programmes (UNDP, Interview 2009). While the UNDP initiative might boost prestige with donors and address the pressure of the MDG timeline, it is also one of increased governance responsibilities for an IO arranged around capacity development. Although not typically an economic organisation like the World Bank or IMF, the UNDP has increasingly adopted business and market strategies. How then do we understand rating as a governmental technology in terms of the UNDP and S&Ps and the rationality to which states and IOs adhere in their engagement of development and markets? Until recently this may have been framed in seemingly conventional neo-liberal terms of market efficiency and access to capital.

Governmentality and the Power of Rating

The empirical discussion above has sought to outline how a transformation of governance has taken place in the UNDPs approach to capacity development. The case emphasises a shift in the rationality of initiatives dealing with poverty toward external partnerships and an emphasis on quantitative approaches. The choice of governmentality for the analysis of this case is based on literature which seeks to uncover indirect forms of power that occur through changes in the rationality and modes of governance resulting from new and shifting relationships between state, IO and private actors. As Miller and Rose suggest 'to the extent that the modern state 'rules', it does so on the basis of an elaborate network of relations formed amongst the complex of institutions, organizations and apparatuses that make it up, and between state and non-state institutions' (Miller and Rose, 2008:55). Ascertaining where and to what extent power lies in governing requires investigation of the particular processes employed by these actors addressing issues of governance rather than a hierarchy of the actors themselves. Foucault's understanding of the nature of governing as the 'conduct of conduct' primarily addresses the evolution of modern liberal practices of states in monitoring and shaping the behaviour of individuals and populations (Gordon, 1991:2-4). Or as Miller and Rose suggest 'if the conduct of individuals or collectivities appeared to require conducting, this was because something in it appeared problematic to someone...to presume to govern seemed to require one to propose techniques to intervene...to become governmental, thought had to become technical'

(Miller and Rose, 2008:14-15). In this case governmentality problematises rating and partnership as technologies of governance which are respectively also techniques of performance and agency.

While rating is typically sought voluntarily by states its promotion by the UNDP becomes an act of conditioning that legitimates rating as a technology of governance which is more than a development technique empowering countries to engage the 'global marketplace'. It is in the process of rating we see the empowerment of these numbers through 'inscription' or calculation based on the specific techniques of the rating agencies described above. It is the final rating which links states and their economies to private market based decisions and the social objectives of governments. As Abrahamson suggests, 'power in this understanding is not purely instrumentalist, but works through systems of knowledge and discursive practices to provide the meanings, norms, values and identities that not only constrain actors but also constitute them' (Abrahamson, 2004:1459). Thus understanding how ratings contain power to shape the behaviour of individuals and populations and IOs or states, is to understand the nature of power generated through consent rather than coercion (Sinclair, 2005:175-6). This consent is based on a trust in ratings compiled by CRAs to create numbers by which economies can be judged transparent and thus inspire confidence in investors. Here the performance of rating acts as a technology for restoring trust (Dean,1999:171). This is of particular significance to all states, let alone those with weak institutions, as the market encroaches upon sovereignty and governments control over their domestic economies become constrained by measures of performance and what is thought to be of interest to investors rather than good for the population.

Governmentality highlights how numbers, as good or bad indicators, become technologies of performance that trigger the 'conduct of conduct' creating a position whereby states have to react to judgements on their ability to manage information and guide the economy. To understand how sovereign rating works as a technology of performance it must be understood as 'an assemblage of forms of practical knowledge, with modes of perception, practices of calculation, vocabularies, types of authority [and] forms of judgement' (Rose, 1999:52), that is not purely apolitical information without power. Therefore ratings and partnerships are 'a form of advanced liberal power [which] work through incorporation and inclusion rather than domination and imposition' and address issues of resources and outcomes and constitute developing countries as agents responsible for their own fate (Abrahamson, 2004:1464). Here partnership also needs to be separated from that of the delegated authority of donors and the Bretton Woods Institutions with recipient states to the private-public divide in the relationship between the UNDP and S&Ps.

Both the ratings and partnership act on the basis of voluntary cooperation and increasing the independence of recipient states and populations. In the context of sovereign rating for developing countries generating consent also relies on partnership with the UNDP which the contracts expertise in targeting 'populations of high risk' (Dean, 1999: 168). The partnership here is then also a technology of agency. Yet while the 'rationality' of such partnerships offer the freedom of making developing countries capable self-determining agents this 'freedom is inextricable from the imposition and exercise of constraint' placing the onus of failure or success upon discipline and cooperation of recipient states as part of the 'emerging structure of aid governmentality' (Abrahamson, 2004:1464). Here we can see the underlying rationality behind ratings in the case of developing countries. They provide 'courage to capital' (Powell, 2002) for frontier economies setting standards which encourage investment. Yet rating as a form of benchmarking is 'not an innocent source of knowledge but an attempt to govern states' constituting states as both manipulable market subjects as well as rational self-interested subjects (Fougner, 2008:321-2).

It is not the intention here to dismiss the UNDP or suggest that it is deliberately or unwittingly colluding with private authority (Cutler et al., 1999) via CRAs in perpetuating distorted mechanisms of neo-liberal global economic governance to the detriment of developing countries. Yet in partnering with S&Ps a distinct but subtle shift is made in the rationality or 'programming' underpinning analyses of poverty and the methods or 'technologies' used in addressing it. This affects traditional notions of capacity development and governance delegated by donor states through the UNDP. It alters the neutral and the voluntary element of expertise engaged on behalf of recipient states as ratings is inherently support the surveillance of actors within markets who do not share the social and development concerns of the UNDP. The nature of the UNDPs legitimacy and authority is based on a multiplicity of relations, and also the shift in demands on the UNDP for accountability and transparency attendant with a rise in demands for numbers and benchmarking to quantify efficiency and outcomes.

Conclusion

Credit rating, while seen as a practice which mitigates risk in finance and business through increasing information flows for investment, it is not an apolitical function of market interaction. The quantitative nature of sovereign ratings does not bear out the complex qualitative political and social realities of the countries concerned. The political power that CRAs wield in governance of the global economy is increasingly being understood as a particular form of authority whose effects can constrain not only corporations but also municipal governments and ultimately states themselves despite also suggesting economic stability and prosperity. As Sinclair notes, 'the rating

process provide a transmission pathway for the delivery of policy and managerial orthodoxy to widely scattered governments and corporations. In this sense, the agencies are nominally private makers of global public policy. They are agents of convergence, who seek to enforce “best practice” and “transparency” on the world.’ Further it is the role that CRAs play in the ‘adjustment of the “operating system,” or mental schemata, [that] is the most consequential impact of the agencies’ work and the least considered elsewhere’ (Sinclair, 2005: 177).

Thus while UNDP attempts to engage credit rating as a purely technical device building states capacities by providing access to expertise and resources for governments to equitably manage and improve the lives of populations, they also engage a particular form of authority and judgement separate to both states and public organisations. The nature and delegation of agency to IOs is often seen in rationalist terms of donor and recipient states working through the organisation. Some analysis shifts this agency to bureaucrats and the way the pressures on organisations cause them to pursue policies that contradict the mandate or state constituents of the IO. The analysis here incorporates both these levels of interaction in the UNDP but has sought to focus in particular on the partnership with S&Ps and the power of ratings as technologies of government.

Here it is seen that CRA ratings are a particular form of rationality primarily quantitative, concerned with integrating countries into market economies rather than building traditional state capacities. This can be beneficial in terms of raising capital or at creating a particular form of transparency but is also reliant on stable markets and liquidity in the system which has been shown to be fragile. The use of ratings in terms of private actors in development are only one piece of the puzzle in encouraging entrepreneurship and the growth of domestic markets, but it must be recognised that above this purpose they are also a powerful political technology with particular consequences for those subject to their governance. In partnership with S&Ps the UNDP legitimised and mediated this process as well as materially encouraged a particular faith in the pursuit credit. From this it can be seen how initiatives which seek to partner public institutions with private ones are changing the understanding of governance especially in development. In this case it is in particular the notion of capacity development which underpins the role of the UNDP in the governance of development which is in danger of being distorted by rating and the power of numbers. Through this market mechanism, or technology, particular private capacities may be enhanced which run counter to the UNDPs social goals of distributive justice.

In taking on a central role coordinating the benchmarks of the MDGs the UNDP is also reliant externally on its ‘reputational’ role (Broome, 2008) which is seen as less constraining than that of the Bretton Woods Institutions in global governance. Internally strategies seeking new sources of material

support and partnership have seen the UNDP move more quantitative methods and policy. The internal and external shift in strategy by the UNDP is in part due to the decrease in state support for multilateral development and voluntary contributions resulting in an emphasis on market mechanisms in solving development problems, and an increased desire by donors for standards of efficiency and 'value for money'. Global governance in the sense of multilateral development is typically analysed through hierarchical structures that use the delegated authority of states and public resources or seek to understand how ideas are shaped and influenced by bureaucrats within the organisation. These analyses are difficult in the case of the UNDP due to the lack of coherent and coercive power wielded by either states or bureaucrats through the dispersed nature of its funding and structure. They also do not address the power of rating as a technology of which enables government at distance or the constitution of partnerships that seek to use private authority to affect sustainable public goals. This case has addressed a new form of governance taking place through this dispersed authority linking states, IOs and private actors which seek to promote the economic development of poorer countries by integrating them into the global market through the credit rating process.

References

- Abdelal, Rawi. (2007) *Capital Rules*, Cambridge, Massachusetts: Harvard University Press.
- Abrahamson, Rita. (2004) 'The Power of Partnerships in Global Governance', *Third World Quarterly*, (25)8:1453
- Africa Investor (2004) <http://www.africa-investor.com/article.asp?id=459> (accessed 6.6.09)
- Archer, Candace. C., Biglaiser, Glen. and DeRouen Jr., Karl. (2007) 'Sovereign Bonds and the "Democratic Advantage": Does Regime Type Affect Credit Rating Agency Ratings in the Developing World?', *International Organization*, 61 Spring
- Barnett, Michael and Finnemore, Martha. (2004) *Rules for the World*, Ithaca, NY: Cornell University Press.
- Barnett, Michael and Finnemore, Martha (2005) 'The Power of Liberal International Organisations', in Barnett, Michael and Duvall, Raymond. eds., *Power in Global Governance*, Cambridge University Press.
- Beers, David.T., (2006) *Credit FAQ: The Future Of Sovereign Credit Ratings*, Standards & Poor's Commentary, standardandpoors.com
- Broome, André (2008) *The Importance of Being Earnest: The IMF as a Reputational Intermediary*, *New Political Economy*, 13(2):125-151
- Brunsson, Nils., (2002) *The Organization of Hypocrisy: Talk, Decisions and Actions In Organizations*, Oxfordshire, Marston Book Services
- Cantor, Richard and Packer, Frank., (1996) *Determinants and Impacts of Sovereign Credit Ratings*, *FRBNY Economic Policy Review*, October
- Carlson, Mark. and Hale, Galina., (2005) *Courage to Capital: A model of the Effects of Rating Agencies on Sovereign Debt Roll-over*, IIIS Discussion Paper, no.62

- Cutler, Claire A., Haufler, Virginia and Porter, Tony., (1999) *Private Authority and International Affairs*, New York: State University Press
- Dean, Mitchell., (1999) *Governmentality: Power and Rule in Modern Society*, London: Sage Publications
- Emmerij, Louis., Jolly, Richard. and Weiss Thomas.G., (2005) *Economic and Social Thinking at the UN in Historical Perspective*, *Development and Change* 36(2):211-235
- Foucault, Michael., (1991) 'Governmentality', in Burchell, Graham., Gordon Colin., and Miller, Peter., (eds.) *The Foucault Effect*, University of Chicago Press.
- Fougner, Tore., (2008) 'Neoliberal Governance of States: The Role of Competitiveness Indexing and Country Benchmarking', *Millennium Journal of International Studies*, 37(2):303-326
- Fromerand, Jaques., (2003) *Mirror, Tool, or Linchpin for Change? The UN and Development*, ACUNS International Relations Studies and the United Nations Occasional Papers, No. 2
- Gordon, Colin., 'Governmental Rationality: An Introduction', in Burchell, Graham., Gordon Colin., and Miller, Peter., eds. *The Foucault Effect*, University of Chicago Press.
- Hall, Rodney. B and Bierstecker, Thomas.J. eds. (2002) *The Emergence of Private Authority in Global Governance*, Cambridge: Cambridge University Press
- Hawkins, Darren. G., Lake, David. A., Nielson, Daniel .L. and Tierney, Michael. J., (2006) *Delegation and Agency in International Organizations*, Cambridge: Cambridge University Press
- IMF Survey (2003), Vol. 32, No. 8, May 5th
- Kaminsky, Graciela and Schmukler, Sergio. L. (2002) 'Emerging Market Instability: Do Sovereign Country Ratings Affect Country Risk and Stock Returns?', *The World Bank Economic Review*, (16)2:171-195
- Kaul, Inge. and Weitz, Almud., (1997), *Money Matters: Private Finance for Development*, Working Paper Draft, UNDP Office for Development Studies, New York
- Kaul, Inge and Conceicao, Pedro., (2006) *The New Public Finance: Responding to Global Challenges*, Oxford: Oxford University Press
- Koremenos, Barbara., Lipson, Charles and Snidal, Duncan., (2001) 'The Rational Design of International Institutions', *International Organization*, (55)4:761-799
- Larner, Wendy and Walters, William., eds. (2004) *Global Governmentality: Governing International Spaces*, London: Routledge
- Lavelle, Kathryn C., (2001) 'Architecture of Equity Markets: The Abidjan Regional Bourse', *International Organisation*, (55)3:717-742
- Lehmann, Alexander., (2004) *Sovereign Credit Ratings and Private Capital Flows to Low-Income Countries*, *African Development Review*, 16(2):252-268
- Lowenstein, Roger., (2008) 'Triple-A Failure', *New York Times Magazine*, (27 April)
- Miller, Peter and Rose, Nikolas., (2008) *Governing the Present: Administering Economic, Social and Personal Life*, Cambridge: Polity
- Mosely, Layna., (2003), *Global Capital and National Governments*, Cambridge: Cambridge University Press
- Murphy, Craig N. (2000), 'Global governance: poorly done and poorly understood', *International Affairs*, (76)4:789-803
- Murphy, Craig N. (2007) *The United Nations Development Programme: A*

Better Way?, Cambridge: Cambridge University Press

Porter, Theodore M. (1995) *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life*, Princeton University Press

Powell, C. (2002), Remarks at Sovereign Credit Rating Conference, U.S. State Department, Washington, DC, <http://www.state.gov/secretary/former/powell/remarks/2002/9634.htm> (11 February, 2008)

Power, Michael., (2007) *Organized Uncertainty: Designing a World of Risk Management*, Oxford: Oxford University Press

Rose, Nikolas., (1999) *Powers of Freedom: Reframing Political Thought*, Cambridge University Press

Seabrooke, Leonard., (2006) 'Civilising Global Capital Markets: Room to Groove?', in Bowden, Brett and Seabrooke, Leonard., eds. *Global Standards of Market Civilization*, London: Routledge

Sinclair, Timothy., (2005) *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*, Ithaca: Cornell University Press

St Clair, Asuncion L. (2004) 'The role of ideas in the United Nations Development Programme', in Bøås, Morten and McNeill, Desmond., eds. *Global Institutions and Development: Framing the World?*, London: Routledge

Standards & Poor's and UNDP (2006), *Sovereign Ratings in Africa*, Sixth Edition, (September, 2006)

UNDP (2000), *The Way Forward: The Administrator's Business Plans 2000-2003*

UNDP (2005) *Budget Estimates for the Biennium 2006-2007*

UNDP (2007a), *Fast Facts*

UNDP (2007b) *Strategic Plan 2008-11*, Annex 3. UNDP's resources in real and nominal terms and in relation to ODA trends, DP/2007/19

UNDP (2007c) *Interviews*, New York.

UNDP (2008) *Annual Report*

UNDP (2009a) <http://www.undp.org/capacity/> Accessed 6.6.09

UNDP (2009b) *Interviews*, New York

ⁱ Benin, Botswana, Burkina Faso, Cameroon, Egypt, Ghana, Madagascar, Mali, Morocco, Mozambique, Nigeria, Senegal, South Africa, Tunisia, Kenya and Seychelles.

Full Faith in Credit? The Power of Numbers in Rating Frontier Sovereigns and the Global Governance of Development by the UNDP

Arthur Mühlen-Schulte
Copenhagen Business School
am.ikl@cbs.dk

CSGR Working Paper 262/09

Centre for the Study of Globalisation and Regionalisation
Department of Politics and International Studies
University of Warwick

Full Faith in Credit? The Power of Numbers in Rating Frontier Sovereigns and the Global Governance of Development by the UNDP¹

Arthur Mühlen-Schulte
Copenhagen Business School
am.ikl@cbs.dk

Abstract

The United Nations Development Programme (UNDP) is the oldest dedicated development institution in the multilateral system, yet remains one of the smallest in terms of funding and resources. This belies its central role in contributing to rankings, benchmarks and ratings which have defined the process of development for states, non-government organisations and the private sector. The UNDP created the Human Development Index (HDI), coordinates the benchmarks of the Millennium Development Goals (MDGs) and recently devised sovereign credit ratings in partnership with Standard and Poor's. In this regard mobilising numbers in support of development strategies is not new, yet it will be argued that the UNDP's development policy has seen a significant shift from the qualitative analysis of the HDI to the quantitative nature of credit rating. This paper will adopt a governmentality approach in looking at sovereign credit rating and the way in which the power of numbers informs the rationality underpinning the partnership between the UNDP and the rating agency Standard and Poor's. It concludes that while pursuing sovereign credit rating may be seen as 'capacity development' for the UNDP, it in fact represents a shift by the organisation toward quantitative practices that have particular consequences for the global governance of development.

Key words: UNDP, credit rating, capacity development, numbers

Introduction

The UNDP is an international organisation (IO) that relies on voluntary contributions and the delegated authority of member states to increase the social, technical, economic and governance capacity of developing countries. Its partnership with a credit rating agency (CRA), privately owned and contracted to conduct surveillance and compile information assessing risk for investment and profit, presents an interesting case in the changing nature of

¹ Early draft presented at the 'The Power of Numbers: Exploring the Use of Rating, Rankings and Benchmarking Schemes in Global Governance', GARNET Research Workshop organised by Professor Hans Krause Hansen. Copenhagen Business School. November 14th, 2008

modern development in contemporary global economic governance. One that emphasises the complicated nature of authority and shifting boundaries between public and private spheres of interest for states and organisations. Coming from a distinctly liberal mould, the extent and nature of the UNDPs 'capacity development' in economic and financial expertise has traditionally involved contracting expert advice aimed at empowering governments on specific issues. This is in contrast to the interventionist one-size-fits-all or 'neo-liberal' conditionality associated with the economic planning of the Bretton Woods Institutions. Nonetheless the UNDPs development policy has become framed by more normative market approaches to economic governance and development initiated by the UN Secretariat involving private actors, such as the Global Compact and corporate social responsibility (CSR) and Financing for Development in the pursuit of the Millennium Development Goals (MDGs).

The paper will specifically address the credit rating initiative as a partnership based on the core UNDP understanding of capacity development. It will be argued that while the rating initiative seeks to increase states' capacity by encouraging access to capital markets, it in fact represents a transformation of governance based on the traditional notion of capacity development as neutral expertise. This is a result of internal and external pressures on the UNDP that have shifted it toward quantitative approaches to development which diverge from the organisations' traditional non-interventionist and qualitative understanding of development. The relationship between IOs, states and CRAs, also generates new forms of partnership and practices which shift the relationships between the UNDP and States in unintended ways that can constrain capacity rather than enhance it. In order to understand these relationships and practices an analysis based on an understanding of Foucault's concept of governmentality will be adopted. In this understanding it is not so much the power of the state through unitary government which is focused on but the fact that state capacity is now subject to multiple governmental techniques and practices such as credit rating. More precisely 'governmentality...is at once internal and external to the state...[and] the continual definition and redefinition of what is within the competence of the state and what is not, the public versus the private...thus the state can only be understood...on the basis of the general tactics of governmentality' (Foucault, 1991:103). It will be shown through governmentality that it is the power of credit rating as a private and external 'technology of government' which actively enrolls and shapes the representations of all actors involved, including states and IOs, and promises to enhance capacity but simultaneously engages a wider arrangement of governance at a distance by market actors. It is not being suggested that the UNDP coercively enrolled states into the rating process as part of a higher ideology or understanding of what states 'should' do according to a fixed agenda. Rather, the power of credit rating alters understanding global governance in development in relation to the delegated authority of states to

IOs (Koremenos et al., 2001; Hawkins et al., 2006) as well as further problematising the role of ideas and bureaucrats agency (Barnett and Finnemore, 2004; Brunsson, 2002; St Clair, 2004) within the UNDP, as an atypical IO due to the historical nature of its structure, mandate and resources.

The article will first address the organisation of the UNDP looking at both the external and internal changes that prompted the credit rating initiative and how it ultimately conflicts with 'capacity development'. From the external perspective there can be seen a momentum beginning in the 1990s with a series of high level meetings which increasingly advocated closer engagement with private actors and a more quantitative approach to development by the UN System. This was in part a response to a crisis in funding as well as a rapprochement with the Bretton Woods Institutions (IMF and World Bank) after protests over the questionable imposition on developing countries of Structural Adjustment Programs (SAPs) and the Washington Consensus. These external pressures were not isolated from internal changes in the UNDP which were sparked by a new Administrator Mark Malloch-Brown in 1999. In outlining his reform of the organisation as 'The Way Forward' (UNDP, 2000) he placed the UNDP in charge of the Millennium Development Goals (MDGs) and ensuring the fulfilment of their ambitious targets. This also included the creation of new departments with the UNDP for dealing with resources and partnerships and an increasing emphasis on new management based on results and outcomes which lead to the credit rating initiative. Yet these changes and private tactics did not harmonise the core understanding of the UNDPs approach to state capacity development with and the need of societies to 'obtain, strengthen and maintain...capabilities [through] access to knowledge, experience and resources' (UNDP, 2008). It is through credit rating and partnership with S&Ps that it will be argued the core UNDP notion of capacity development becomes distorted, shifting governance away from the states and the organisation.

Secondly, the nature of Standard & Poor's (S&Ps) and the rating initiative will be addressed. This will look at how S&Ps conducts a rating before investigating the positive and negative aspects of sovereign rating in particular. For example, while ratings seems to offer access to capital markets that is both efficient and emphasises results it does not take into an account the ongoing expertise required by governments to negotiate these often opaque institutions. Likewise the CRAs attempt to assess political factors but also lack the expertise to analyse the particular governance and economic structures of the countries they rate which leads to questions regarding the involvement of organisations such as the UNDP (Abdelal, 2007:180). This creates problems in global governance (Murphy, 2000) that is delegated by states to IOs and the relation between the latter and new forms of private authority such as CRAs.

Finally, the rating process will be analysed through the theoretical perspective of governmentality and the nature of the partnership between UNDP and S&Ps which adopts rating as a particular technology that governs at distance. It is noted that while the rating process in itself is used to promote transparency and market interaction on one level, it also contains less obvious political characteristics when ratings are used to engage capital markets. The increasing use of scientific calculation in public life and a 'trust in numbers' has led to the increasing belief in the objectivity of various techniques of quantification that increase the validity of knowledge and conduct of actors in managing typically qualitative understandings of social processes (Porter, 1995). The aim here is to analyse a particular type of quantification through governmentality and open up an understanding of credit ratings used for development and the way in which they work through relationships and around actors, states or organisations.

The complex processes and relationships involved require an alternate understanding of power that can apply to both the process of rating and the nature of the partnership between S&Ps and the UNDP. Using this approach with S&Ps, the rating process and partnership, can be seen as technologies of government hired and mediated by the UNDP. From this it can be seen how expertise is enrolled and modes of governance in capacity development have shifted from consultation to more subtle managerial interventions based on results and performance. IOs such as the UNDP are under a particular liberal 'rational-legal' imperative in development to intervene by setting up projects and spending money while also being effective and accountable (Barnett and Finnemore, 2004). In order to do this they often treat countries more or less uniformly thus making numbers and ratings important in comparing and marking their performance. Yet ratings are not merely objective measures created by CRAs, they are powerful devices which allow scrutiny and surveillance at a distance and enrol multiple actors into a particular 'mental schemata' in the governance of finance (Sinclair, 2005:177). This understanding of power shows that actors such as the UNDP and S&Ps govern in partnership, but that this governing is constituted through rating, ranking or benchmarking states and the quantification of specific knowledge. Governmentality here questions this schemata and problematises the rationality which informs or creates the logic of rating as a technology of government linking states, IOs and private CRAs in capacity development. It does not provide causal explanations or seek to explain the individual effects of credit ratings on economic outcomes for particular states or populations involved.

It will be concluded that by tracing the rationality and nature of authority of rating as a technology of government we can see a distinct shift toward methods of quantification in capacity development employed by the UNDP on behalf of states. This is the result of both internal and external pressures on

organisations and states to be accountable and produce results in development. The pursuit of such objective measures is nonetheless based in the qualitative nature and social processes that development seeks to address. It is therefore important to analyse the changing nature of authority between the spheres of public and private that appear to address development but also represent distinct changes in the global governance.

UNDP and the Changing Multilateral Environment

Following the end of the Cold War the UNDP faced a sharp decline in its untied core voluntary contributions (UNDP, 2007c). In response to the rise in bilateral aid and decline in belief of donor states in the accountability of untied voluntary contributions, the UNDP and Secretariat launched a series of external conferences and initiatives sharply changing traditional UN development policy by seeking to incorporate private and market actors in development. This led to eventual internal reform and change in the UNDP initiated by Administrator Mark Malloch-Brown in 1999 that stretched the understanding of capacity development long held by the UNDP at the fore of its development practice. Malloch-Brown, a former World Bank employee and the first non-US Administrator, sought to reorient the UNDP by assuming the coordination and leadership of the MDGs and instituting results based management (RBM) into the governing structure of the UNDP (UNDP, 2000). While this met with the approval of some core donor states and fit the broader trajectory of private engagement by the UN System, it was also an ambitious agenda for such a dispersed organisation.

The UNDP is the largest and oldest multilateral development organisation spanning 166 countries at the core of the UN System evolving from the post-war Expanded Programme for Technical Assistance (EPTA). It is a unique organisation that does not fit the mould of other IO's due to the nature of its operational role defined variously as 'technical assistance', 'capacity building' or 'capacity development'. This has traditionally involved a network of contracted experts and coordination of the UN Specialised Agencies while maintaining the role of the UN Resident Representatives, the political point of contact in countries between states and the UN System. Murphy suggests the UNDP is best described as, '...a 'network', a system of 'partnerships', and a centre of cooperation...*not* simply a bureaucratic hierarchy of nested roles and their related obligations. It is...a decentralized complex of relatively autonomous...people and organizations' (Murphy, 2007:17 -19).

The structure of the UNDP can be roughly divided into four levels of authority. The Executive Board comprised of 36 states, including donor and recipient countries; the Administrator and management offices; the 5 Regional Bureaux; and the Resident Representatives in country. Complicating these levels of authority are the multiple sources of material input and partnerships

including principal states, multilateral organisations, NGOs and the private sector totalling approximately \$5 billion USD per annum. Untied core contributions at the discretion of the UNDP total almost a fifth of the budget and is almost entirely donated by 15 countries (UNDP, 2005). The bulk of funding, over three fifths of the budget, is tied and negotiated by donors under the UNDPs thematic areas. The decrease in core untied funding by some 35% between 1992 and 1997 (UNDP, 2007c) increased the current imbalance with tied resources and in part spurred new initiatives for development funding and internal reform. This complex resource allocation also reflects the organisation of the UNDP and the multiplicity of authorities and relationships that are now part of its external and internal partnerships in pursuing capacity development.

While early ideas for incorporating private initiatives into the UNDP's development agenda date back to the late 1980s (Murphy, 2007:237-8), the key events in the increasing interaction of the UNDP with private actors officially began with the 1992 Rio Conference on Sustainability and Development. This was followed by the World Summit for Social Development in Copenhagen 1995 which introduced the idea of credit rating (Kaul and Weitz, 1997), the 1999 Global Compact, the 2000 Millennium Development Goals (MDGs) and the 2002 Monterrey Conference on Financing for Development. In April 2002, Colin Powell opened a conference at the State Department announcing that the US Government was prepared to help African countries obtain sovereign credit ratings citing the need to give 'courage to capital' (Powell, 2002). A month later, in May, the Standard & Poor's/UNDP Credit Rating partnership was launched at the annual meeting of the African Development Bank (AfDB) in Addis Ababa (S&Ps, 2006). This was followed up a year later in 2003 by the UNDP hosting the first African Capital Markets Development Forum in cooperation with the New York Stock Exchange and African Stock Exchanges Association aimed at finding ways to boost foreign investment, encourage dialogue between African countries, negotiate grant financing and obtain sovereign credit ratings (IMF, 2003; UNDP, 2007). In this context the UNDP not only set out a deeper interaction with private actors and under the ambitious timetable and platform of the MDGs in benchmarking progress and increasing donor confidence, but initiated credit rating as a development strategy. In doing so a subtle shift was also made from the distinct advocacy and qualitative analysis of development to more pragmatic and quantitative approaches in the practice of development.

The use of different rankings and benchmarks has grown considerably in the UNDPs development work over the past two decades. The Human Development Report initiated in 1990 also contains the Human Development Index (HDI) that increasingly built over the last decade the basis for the benchmarks set by the MDGs agreed on in 2000. The HDI collects data on social aspects of countries such as levels of education, health and welfare that are compiled to create rankings of life quality. It grew out of opposition to the

dominance of neo-liberal economic rationality epitomised by the structural adjustment programmes (SAPs) of the 1980s and neo-classical economic models based on growing GDP (Murphy, 2007). The HDI rankings and the social indicators it addresses opened up new avenues for reframing how development was addressed through broader social concerns for health and education that underpin macro economic conditions. The HDI also created a powerful standard based on the number of people in the world living on less than one dollar a day which contributed to the creation of the benchmarks embodied by the MDGs.

Although the intention of both the HDI and MDGs is the improvement of living standards for the very poorest of the world's population, they in fact represent a divergence within the UNDP between advocacy based on qualitative analysis and practice seeking quantitative measures and results. This shift in logic can be seen as a result of pressures in resource mobilisation that have moved the emphasis from traditional publically funded multilateral governance to the new private actor partnerships in development. On another level it is the UNDP, in response to the external demands of states seeking accountability and results, that has shifted its internal policy toward practices deemed legitimate in the eyes of donor states and in line with similar strategies of the Bretton Woods Institutions. The proximity in timing of the launch of credit rating partnerships by the U.S. State Department and the UNDP with Standard & Poor's coinciding with the Monterrey Conference on Financing for Development and the launch of the Millennium Challenge Account by US State Department 2002 (Mawdsley, 2007), is therefore no coincidence. It highlights how broad and public consensus on such quantitative market strategies has become, strengthened by coalitions between states, IOs and private entities and in particular convergence in policy between the major development organisations of the World Bank and the UNDP. What separates development practices by the UNDP is the complicated evolution of capacity development in the UN (Fromerand, 2003:17, resulting from the particular historical structure of development in the UN (Emmerij et al., 2005) and the uncertain nature of the UNDPs resources through voluntary contributions.

Capacity development is the central focus of the UNDP which seeks to empower people and institutions 'to set and achieve their own development objectives' (UNDP, 2008). It is based on the original operating procedure and early UN work of 'technical assistance' through the transfer of skills, resources and institutions from which the UNDP evolved. The 'UNDP's coordination work is [then] about building the capacity of government's, the capacity to take on the task themselves either individually, within each country, or collectively, through the United Nations' (Murphy, 2007:13). While the credit rating initiative certainly fits with previous examples of UNDP work in building the economic and financial capabilities of developing states like Singapore (Murphy, 2007:101-3), there is a notable difference in the

context and nature of the rating process as it was organised and carried out at a distance from the countries involved. The initiation of the ratings, through various recommendations of summits and donor states seen above, led to the sponsorship by the U.S. State Department and the UNDP of the initial ratings. The scheme which seeks to fulfil part of the MDGs goals on poverty is also heavily influenced by the poverty reduction strategies and debt relief agendas of the Bretton Woods Institutions (Murphy, 2007:310; S&Ps, 2006). Whether credit rating is being suggested as transparency to promote better economic practices or a serious step toward accessing global capital markets to bridge the gap of development assistance (UNDP, 2007; S&Ps 2006; Kaul and Conceicao, 2006) it is problematic introducing financial methods which encourage debt financing to already heavily indebted countries with weak institutional capacities. If capacity development is to mean to build on nascent opportunities and encourage institutions existing in countries then the need for the UNDP to pay for ratings does not accord with sustainable, voluntary or technical assistance as part of capacity building which helps 'governments to identify what capacity exists in terms of skills, knowledge, institutions and relationships' (UNDP, 2009). It instead changes the role of the UNDP delegating authority between states to one that mediates the authority of credit ratings and states, enrolling the latter into a specific type of governance by private actors.

S&Ps: Sovereign Credit Rating Partnership

The rise of credit rating agencies (CRAs) in sovereign credit rating in the world revolves around the central change in the world economy and shift to the disintermediation of finance following the collapse of the Bretton Woods system. In particular CRAs now perform a key function in the 'international creditor economy' by creating access to capital which circumvents the traditional role of banks in lending practices as well as conditioning or 'civilising' the practices of states (Seabrooke, 2006). The particular CRA in this case, Standard and Poor's (S&Ps), was contracted by the UNDP on behalf of developing states seeking to engage capital markets and investment. This engagement was the result of both the external and internal processes affecting the UNDP described above, but also based on a particular set of conditions seeking to encourage investment and transparency measures in combination with debt relief measures for developing states that relied on the particular strength capital market finance the central role of rating agencies, under the debt relief schemes of the World Bank and IMF.

Rating agencies emerged from market surveillance mechanisms aimed at the assessment of creditworthiness. They form the basis of the way in which an entity whether firm, municipality or state can now borrow money by issuing bond securities. The process of determining the rating is complicated by the difference in size and ability of individuals, companies and states to manage

capital markets rather than loans through traditional banks. Referred to as the disintermediation of finance, where the traditional intermediary role of the bank which decided creditworthiness has been weakened, capital is sought instead through structuring debt on more opaque capital markets (Sinclair, 2005; Seabrooke, 2006). With the internationalisation of companies and growth in complexity of financial systems which comprise these capital markets, ratings have developed new and more complicated ways also. This seen most clearly in the recent failure of the CRAs during the sub-prime crisis in determining creditworthiness of companies and even their complicity in designing newly structured complex financial packages based on derivatives, that have stretched their analytical capability based on dubious new ratings scales and responses (Sinclair, 2005:27; Lowenstein, 2008). The ratings addressed in this paper refer to solely to sovereign credit ratings applied to states, however the principle behind rating corporations or any entity is essentially the same.

In practical terms S&Ps employ similar numbers of staff to the UNDP, around 5,000 in over 20 countries, and based also in New York the company 'provides widely recognized financial data, analytical research and investment, and credit opinions to the global capital markets...an organisation that has been a world leader for more than a 140 years' (S&Ps, 2006). S&Ps, Moody's and the French based Fitch now form the three largest international CRAs which hold a virtual oligopoly over international corporate and sovereign rating. While the history and growth of credit rating agencies is well documented elsewhere (Sinclair, 2005), it is important to address the rating process here to understand why they are so influential.

Essentially the rating process consists of gathering information, both qualitative and quantitative, on the economic and financial viability of actors wishing to issue debt to raise capital in markets. After information is compiled an analytical determination by experts issues a grade or rating which initiates a process of surveillance by investors who determine the value of the debt issued as bonds. Ratings are typically requested and paid for by the entity being rated otherwise or the 'issuer' of bonds, or in this case they are paid for by an outside institution such as the partnership with the intermediary of the UNDP. Information for ratings is gathered from many sources with cooperation from the issuer on confidential quantitative hard numbers concerning internal finance and economy as well as qualitative aspects of management structures, policies of the company or government involved. Ideally this is combined or corroborated with external information from other sources in the surrounding environment before the analytical determination (Sinclair, 2005:30). It is this final determination that decides the rating which is the most contentious and difficult part of the exercise. Sinclair describes the process whereby,

...agencies assemble analytical teams that undertake research, meet with issuers, and prepare a report containing a rating recommendation and rationale. The teams present their view to a

rating committee of senior agency officials, which makes the final determination in private...the most secretive aspect of the rating business is the analytical process for producing bond rating judgements. (Sinclair, 2005: 33)

The secrecy of methodological approaches between CRAs creates some discrepancy between final ratings but is explained both from the CRAs perspective and that of investors as maintaining some competitive edge for the former while providing a choice for the latter consumers of the information in making their decision (Mosely, 2003:137). The problem that arises in the output of the ratings is the objectification of knowledge that becomes authoritative due to volume and complexity of rating products sold by these companies (Sinclair, 2005: 35-40). Added to this is the continued surveillance requiring ongoing renewal of the ratings which disciplines states according to investors profit, rather than domestic demands, to ensure the ability to repay debt and raise capital in the future. On a governance level this is seen as transparency, a key goal for the UNDP/S&Ps initiative which seeks to build faith and stability in African markets based on a combination of the power of ratings, yet it also requires the development of expertise and resources of governments to manage a relationship which is heavily scrutinised and governed by a multiplicity of investors disconnected from the processes of government.

CRA authority can then be understood as power through ratings based on information which is used to generate capital by states for profit maximisation by investors. The ability of CRAs to conduct economic surveillance of firms and states through the 'scientific' process of rating endows them with a particular authority derived from knowledge and expertise that can constrain and empower states. This power is based on an idea of objectivity which appeals for transparency and increasing the trust investors and populations, that places CRAs in authority as part of governing structures that manage global finance. It is this appeal to transparency and the promise of investment that can strengthen the autonomous governing capacity of states by which the UNDP seeks to ensure the stability of their economic and social structures. Yet these same standards of transparency have not been applied to the CRAs and the subjective and secret nature by which they determine their ratings. There is then an obvious need to address not only how CRAs obtain political power but their own political role and authority that stems from the power of ratings.

Rating and Partnership

S&Ps rated 111 sovereigns in 2006 with an aim to add 25-50 over the next decade (Beers, 2006). The partnership between the UNDP and S&Ps that began in 2002 now extends to a total of 16 rated African countries with Kenya and the Seychelles added in 2007ⁱ along with Eastern European countries,

Macedonia and Georgia and the first Asian country being Sri Lanka in 2005. The important difference here to the credit ratings obtained by Latin American and Asian countries in the late 1990s is the sponsorship provided by the US Government and UNDP which brings into question the use of public funds to obtain private market authority (Hall and Bierstecker, 2002) and on behalf of developing states.

The first reason cited for organising sovereign credit ratings for developing countries by the UNDP is goal number 8 of the MDGs targeting 'the mobilization of resources to fight poverty' (S&Ps, 2006). By helping countries integrate their economies into the mechanics of global finance markets this provides transparency and encourages confidence for investment all the way down the chain to the local level of business (S&Ps, 2006). A second answer is that by cooperating with CRAs in risk analysis the UNDP management is engaging new practices in line with market techniques (Power, 2007) that seek to compliment the IMF and World Bank's International Development Association (IDA) debt relief programs by providing means to accessing capital to fill the gap between Official Development Assistance (ODA) and debt relief (S&Ps, 2006). Termed the Multilateral Debt Relief Initiative (MDRI) the IMF and World Bank in cooperation with the African Development Bank has sought to fund full debt relief under particular conditions for a specified group of Heavily Indebted Poor Countries (HIPC). As Abrahamson points out this initiative has grown into 'partnerships' between developing countries and donors, represented by the Bretton Woods Institutions, which returns 'power and influence to African states through 'ownership' whereby 'policy reform and institutional development should not be imported or imposed, but must be homegrown' (Abrahamson, 2004:1455). As we have seen with regard to the UNDPs notion of capacity development this is hardly a revolutionary idea yet in relation to the Bretton Woods Institutions 'the claim to ownership and consultation are also challenged by the fact that the current poverty reduction strategy remains firmly within the neo-liberal economic policies of the structural adjustment period' (Abrahamson, 2004:1457). It is perhaps as a result of this that there is a distinct reluctance by the UNDP and the surprisingly few staff aware of the rating initiative to go into detail about the nature of the scheme.

The initiative appears to have been formulated primarily as a 'one off' foray in the early attempts by the UNDP to engage private actors. It was heavily influenced by the Bretton Woods Institutions and a report they commissioned from Price Waterhouse Coopers into emerging markets capacity (Interview, UNDP, 2009). The scheme was initiated and led by UNDP Associate Administrator Zephirin Diabre, former Minister of Economy, Finance and Planning in Burkina Faso, with around 230,000USD as seed money for entry ratings. It was an attempt to harness 'ascendant capital markets' and prove new ideas seeking to engage private actors in 'operational partnerships' that would 'build donor trust' with the UNDP (Interview, UNDP, 2009).

According to the UNDP, S&Ps ratings occur every 2-3 years. An initial rating costs around \$80,000 USD with subsequent ratings around \$40,000 USD (Interview, UNDP, 2007). Why then is the UNDP needed to pay such small amounts? At this cost ratings are affordable for even the poorest countries and indeed many were rated before the UNDP became involved in 2002. Therefore the problem does not lie with the intention or perception of what ratings hope to achieve but the changing nature of development policy which, increasingly quantitative, preferences partnerships with private authorities such as CRAs that produce ratings that are often controversial and selective in nature. It is noted within the UNDP by economists who have independently advised governments not to participate in the initiative (Interview UNDP Africa Bureau, 2007), but seek alternate ratings by entities such as the African Development Bank with a greater understanding of local context and economies.

The role of ratings must not be overstated here as the UNDP points out, 'credit ratings are part of a multi-faceted strategy of reducing poverty in Africa. The strategy aims to increase economic growth in given countries by encouraging significant investment resources, through a combination of overseas development aid, foreign direct investment (FDI) and most importantly, through private capital markets - both domestic and foreign' (Africa Investor, 2004).

What ratings then actually mean in material return and what their effects are on developing countries in the new global economy is also much harder to gauge than measuring or evaluating traditional Official Development Assistance (ODA) or Foreign Direct Investment (FDI). The literature in the field that does attempt to understand the effects and results of ratings is primarily econometric and observes changes in investors reaction to markets and the spread of bonds (Cantor and Packer, 1996; Carlson and Hale, 2002) or explaining the effects of ratings on financial markets through country risk and stock returns (Kaminsky and Schmukler, 2002). More analytical accounts suggest that ratings in 'frontier economies' (Mosley, 2003) such as Africa may improve attitudes and encourage some investors in dispelling traditional bias about unreliable service markets. Other suggest that ratings are unlikely to have much effect on primary resource oriented economies in which industry sectors produce their own risk assessment and in fact that heavily indebted countries won't be able to issue bonds at non-concessional rates (Lehmann, 2002). The assessment by S&Ps in their reports for 'filling the funding gap' are therefore hypothetical scenarios based on the particular debt level of countries under the MDRI. While the report is filled with caveats based on 'governance standards' and the limits of non-concessional terms due to 'narrow revenue bases' (S&Ps, 2006), yet there is one final aspect as to why credit rating is promoted as a viable strategy to already indebted countries. It originates in the more politically sensitive colonial history of some West African states, and in the case of some countries the scheme also aimed at

circumventing the entrenched institutional restrictions of the post-colonial banking sectors. Former French colonies in particular have struggled with financial liberalisation under institutions heavily controlled by Francophone banking systems and elites in government (Lavelle, 2001:727-9).

The issue of credit rating as an internal organisational initiative and external mechanism presents an interesting case in the changing nature of legitimacy and authority in development and global governance, but actual private sector partnerships in total only constitute contributions of around \$100 million USD in UNDP programmes (UNDP, Interview 2009). While the UNDP initiative might boost prestige with donors and address the pressure of the MDG timeline, it is also one of increased governance responsibilities for an IO arranged around capacity development. Although not typically an economic organisation like the World Bank or IMF, the UNDP has increasingly adopted business and market strategies. How then do we understand rating as a governmental technology in terms of the UNDP and S&Ps and the rationality to which states and IOs adhere in their engagement of development and markets? Until recently this may have been framed in seemingly conventional neo-liberal terms of market efficiency and access to capital.

Governmentality and the Power of Rating

The empirical discussion above has sought to outline how a transformation of governance has taken place in the UNDPs approach to capacity development. The case emphasises a shift in the rationality of initiatives dealing with poverty toward external partnerships and an emphasis on quantitative approaches. The choice of governmentality for the analysis of this case is based on literature which seeks to uncover indirect forms of power that occur through changes in the rationality and modes of governance resulting from new and shifting relationships between state, IO and private actors. As Miller and Rose suggest 'to the extent that the modern state 'rules', it does so on the basis of an elaborate network of relations formed amongst the complex of institutions, organizations and apparatuses that make it up, and between state and non-state institutions' (Miller and Rose, 2008:55). Ascertaining where and to what extent power lies in governing requires investigation of the particular processes employed by these actors addressing issues of governance rather than a hierarchy of the actors themselves. Foucault's understanding of the nature of governing as the 'conduct of conduct' primarily addresses the evolution of modern liberal practices of states in monitoring and shaping the behaviour of individuals and populations (Gordon, 1991:2-4). Or as Miller and Rose suggest 'if the conduct of individuals or collectivities appeared to require conducting, this was because something in it appeared problematic to someone...to presume to govern seemed to require one to propose techniques to intervene...to become governmental, thought had to become technical'

(Miller and Rose, 2008:14-15). In this case governmentality problematises rating and partnership as technologies of governance which are respectively also techniques of performance and agency.

While rating is typically sought voluntarily by states its promotion by the UNDP becomes an act of conditioning that legitimates rating as a technology of governance which is more than a development technique empowering countries to engage the 'global marketplace'. It is in the process of rating we see the empowerment of these numbers through 'inscription' or calculation based on the specific techniques of the rating agencies described above. It is the final rating which links states and their economies to private market based decisions and the social objectives of governments. As Abrahamson suggests, 'power in this understanding is not purely instrumentalist, but works through systems of knowledge and discursive practices to provide the meanings, norms, values and identities that not only constrain actors but also constitute them' (Abrahamson, 2004:1459). Thus understanding how ratings contain power to shape the behaviour of individuals and populations and IOs or states, is to understand the nature of power generated through consent rather than coercion (Sinclair, 2005:175-6). This consent is based on a trust in ratings compiled by CRAs to create numbers by which economies can be judged transparent and thus inspire confidence in investors. Here the performance of rating acts as a technology for restoring trust (Dean, 1999:171). This is of particular significance to all states, let alone those with weak institutions, as the market encroaches upon sovereignty and governments control over their domestic economies become constrained by measures of performance and what is thought to be of interest to investors rather than good for the population.

Governmentality highlights how numbers, as good or bad indicators, become technologies of performance that trigger the 'conduct of conduct' creating a position whereby states have to react to judgements on their ability to manage information and guide the economy. To understand how sovereign rating works as a technology of performance it must be understood as 'an assemblage of forms of practical knowledge, with modes of perception, practices of calculation, vocabularies, types of authority [and] forms of judgement' (Rose, 1999:52), that is not purely apolitical information without power. Therefore ratings and partnerships are 'a form of advanced liberal power [which] work through incorporation and inclusion rather than domination and imposition' and address issues of resources and outcomes and constitute developing countries as agents responsible for their own fate (Abrahamson, 2004:1464). Here partnership also needs to be separated from that of the delegated authority of donors and the Bretton Woods Institutions with recipient states to the private-public divide in the relationship between the UNDP and S&Ps.

Both the ratings and partnership act on the basis of voluntary cooperation and increasing the independence of recipient states and populations. In the context of sovereign rating for developing countries generating consent also relies on partnership with the UNDP which the contracts expertise in targeting 'populations of high risk' (Dean, 1999: 168). The partnership here is then also a technology of agency. Yet while the 'rationality' of such partnerships offer the freedom of making developing countries capable self-determining agents this 'freedom is inextricable from the imposition and exercise of constraint' placing the onus of failure or success upon discipline and cooperation of recipient states as part of the 'emerging structure of aid governmentality' (Abrahamson, 2004:1464). Here we can see the underlying rationality behind ratings in the case of developing countries. They provide 'courage to capital' (Powell, 2002) for frontier economies setting standards which encourage investment. Yet rating as a form of benchmarking is 'not an innocent source of knowledge but an attempt to govern states' constituting states as both manipulable market subjects as well as rational self-interested subjects (Fougner, 2008:321-2).

It is not the intention here to dismiss the UNDP or suggest that it is deliberately or unwittingly colluding with private authority (Cutler et al., 1999) via CRAs in perpetuating distorted mechanisms of neo-liberal global economic governance to the detriment of developing countries. Yet in partnering with S&Ps a distinct but subtle shift is made in the rationality or 'programming' underpinning analyses of poverty and the methods or 'technologies' used in addressing it. This affects traditional notions of capacity development and governance delegated by donor states through the UNDP. It alters the neutral and the voluntary element of expertise engaged on behalf of recipient states as ratings is inherently support the surveillance of actors within markets who do not share the social and development concerns of the UNDP. The nature of the UNDPs legitimacy and authority is based on a multiplicity of relations, and also the shift in demands on the UNDP for accountability and transparency attendant with a rise in demands for numbers and benchmarking to quantify efficiency and outcomes.

Conclusion

Credit rating, while seen as a practice which mitigates risk in finance and business through increasing information flows for investment, it is not an apolitical function of market interaction. The quantitative nature of sovereign ratings does not bear out the complex qualitative political and social realities of the countries concerned. The political power that CRAs wield in governance of the global economy is increasingly being understood as a particular form of authority whose effects can constrain not only corporations but also municipal governments and ultimately states themselves despite also suggesting economic stability and prosperity. As Sinclair notes, 'the rating

process provide a transmission pathway for the delivery of policy and managerial orthodoxy to widely scattered governments and corporations. In this sense, the agencies are nominally private makers of global public policy. They are agents of convergence, who seek to enforce “best practice” and “transparency” on the world.’ Further its is the role that CRAs play in the ‘adjustment of the “operating system,” or mental schemata, [that] is the most consequential impact of the agencies’ work and the least considered elsewhere’ (Sinclair, 2005: 177).

Thus while UNDP attempts to engage credit rating as a purely technical device building states capacities by providing access to expertise and resources for governments to equitably manage and improve the lives of populations, they also engage a particular form of authority and judgement separate to both states and public organisations. The nature and delegation of agency to IOs is often seen in rationalist terms of donor and recipient states working through the organisation. Some analysis shifts this agency to bureaucrats and the way the pressures on organisations cause them to pursue policies that contradict the mandate or state constituents of the IO. The analysis here incorporates both these levels of interaction in the UNDP but has sought to focus in particular on the partnership with S&Ps and the power of ratings as technologies of government.

Here it is seen that CRA ratings are a particular form of rationality primarily quantitative, concerned with integrating countries into market economies rather than building traditional state capacities. This can be beneficial in terms of raising capital or at creating a particular form of transparency but is also reliant on stable markets and liquidity in the system which has been shown to be fragile. The use of ratings in terms of private actors in development are only one piece of the puzzle in encouraging entrepreneurship and the growth of domestic markets, but it must be recognised that above this purpose they are also a powerful political technology with particular consequences for those subject to their governance. In partnership with S&Ps the UNDP legitimised and mediated this process as well as materially encouraged a particular faith in the pursuit credit. From this it can be seen how initiatives which seek to partner public institutions with private ones are changing the understanding of governance especially in development. In this case it is in particular the notion of capacity development which underpins the role of the UNDP in the governance of development which is in danger of being distorted by rating and the power of numbers. Through this market mechanism, or technology, particular private capacities may be enhanced which run counter to the UNDPs social goals of distributive justice.

In taking on a central role coordinating the benchmarks of the MDGs the UNDP is also reliant externally on its ‘reputational’ role (Broome, 2008) which is seen as less constraining than that of the Bretton Woods Institutions in global governance. Internally strategies seeking new sources of material

support and partnership have seen the UNDP move more quantitative methods and policy. The internal and external shift in strategy by the UNDP is in part due to the decrease in state support for multilateral development and voluntary contributions resulting in an emphasis on market mechanisms in solving development problems, and an increased desire by donors for standards of efficiency and 'value for money'. Global governance in the sense of multilateral development is typically analysed through hierarchical structures that use the delegated authority of states and public resources or seek to understand how ideas are shaped and influenced by bureaucrats within the organisation. These analyses are difficult in the case of the UNDP due to the lack of coherent and coercive power wielded by either states or bureaucrats through the dispersed nature of its funding and structure. They also do not address the power of rating as a technology of which enables government at distance or the constitution of partnerships that seek to use private authority to affect sustainable public goals. This case has addressed a new form of governance taking place through this dispersed authority linking states, IOs and private actors which seek to promote the economic development of poorer countries by integrating them into the global market through the credit rating process.

References

- Abdelal, Rawi. (2007) *Capital Rules*, Cambridge, Massachusetts: Harvard University Press.
- Abrahamson, Rita. (2004) 'The Power of Partnerships in Global Governance', *Third World Quarterly*, (25)8:1453
- Africa Investor (2004) <http://www.africa-investor.com/article.asp?id=459> (accessed 6.6.09)
- Archer, Candace. C., Biglaiser, Glen. and DeRouen Jr., Karl. (2007) 'Sovereign Bonds and the "Democratic Advantage": Does Regime Type Affect Credit Rating Agency Ratings in the Developing World?', *International Organization*, 61 Spring
- Barnett, Michael and Finnemore, Martha. (2004) *Rules for the World*, Ithaca, NY: Cornell University Press.
- Barnett, Michael and Finnemore, Martha (2005) 'The Power of Liberal International Organisations', in Barnett, Michael and Duvall, Raymond. eds., *Power in Global Governance*, Cambridge University Press.
- Beers, David.T., (2006) *Credit FAQ: The Future Of Sovereign Credit Ratings*, Standards & Poor's Commentary, standardandpoors.com
- Broome, André (2008) *The Importance of Being Earnest: The IMF as a Reputational Intermediary*, *New Political Economy*, 13(2):125-151
- Brunsson, Nils., (2002) *The Organization of Hypocrisy: Talk, Decisions and Actions In Organizations*, Oxfordshire, Marston Book Services
- Cantor, Richard and Packer, Frank., (1996) *Determinants and Impacts of Sovereign Credit Ratings*, *FRBNY Economic Policy Review*, October
- Carlson, Mark. and Hale, Galina., (2005) *Courage to Capital: A model of the Effects of Rating Agencies on Sovereign Debt Roll-over*, IIIS Discussion Paper, no.62

- Cutler, Claire A., Haufler, Virginia and Porter, Tony., (1999) *Private Authority and International Affairs*, New York: State University Press
- Dean, Mitchell., (1999) *Governmentality: Power and Rule in Modern Society*, London: Sage Publications
- Emmerij, Louis., Jolly, Richard. and Weiss Thomas.G., (2005) *Economic and Social Thinking at the UN in Historical Perspective*, *Development and Change* 36(2):211-235
- Foucault, Michael., (1991) 'Governmentality', in Burchell, Graham., Gordon Colin., and Miller, Peter., (eds.) *The Foucault Effect*, University of Chicago Press.
- Fougner, Tore., (2008) 'Neoliberal Governance of States: The Role of Competitiveness Indexing and Country Benchmarking', *Millennium Journal of International Studies*, 37(2):303-326
- Fromerand, Jaques., (2003) *Mirror, Tool, or Linchpin for Change? The UN and Development*, ACUNS International Relations Studies and the United Nations Occasional Papers, No. 2
- Gordon, Colin., 'Governmental Rationality: An Introduction', in Burchell, Graham., Gordon Colin., and Miller, Peter., eds. *The Foucault Effect*, University of Chicago Press.
- Hall, Rodney. B and Bierstecker, Thomas.J. eds. (2002) *The Emergence of Private Authority in Global Governance*, Cambridge: Cambridge University Press
- Hawkins, Darren. G., Lake, David. A., Nielson, Daniel .L. and Tierney, Michael. J., (2006) *Delegation and Agency in International Organizations*, Cambridge: Cambridge University Press
- IMF Survey (2003), Vol. 32, No. 8, May 5th
- Kaminsky, Graciela and Schmukler, Sergio. L. (2002) 'Emerging Market Instability: Do Sovereign Country Ratings Affect Country Risk and Stock Returns?', *The World Bank Economic Review*, (16)2:171-195
- Kaul, Inge. and Weitz, Almud., (1997), *Money Matters: Private Finance for Development*, Working Paper Draft, UNDP Office for Development Studies, New York
- Kaul, Inge and Conceicao, Pedro., (2006) *The New Public Finance: Responding to Global Challenges*, Oxford: Oxford University Press
- Koremenos, Barbara., Lipson, Charles and Snidal, Duncan., (2001) 'The Rational Design of International Institutions', *International Organization*, (55)4:761-799
- Larner, Wendy and Walters, William., eds. (2004) *Global Governmentality: Governing International Spaces*, London: Routledge
- Lavelle, Kathryn C., (2001) 'Architecture of Equity Markets: The Abidjan Regional Bourse', *International Organisation*, (55)3:717-742
- Lehmann, Alexander., (2004) *Sovereign Credit Ratings and Private Capital Flows to Low-Income Countries*, *African Development Review*, 16(2):252-268
- Lowenstein, Roger., (2008) 'Triple-A Failure', *New York Times Magazine*, (27 April)
- Miller, Peter and Rose, Nikolas., (2008) *Governing the Present: Administering Economic, Social and Personal Life*, Cambridge: Polity
- Mosely, Layna., (2003), *Global Capital and National Governments*, Cambridge: Cambridge University Press
- Murphy, Craig N. (2000), 'Global governance: poorly done and poorly understood', *International Affairs*, (76)4:789-803
- Murphy, Craig N. (2007) *The United Nations Development Programme: A*

Better Way?, Cambridge: Cambridge University Press

Porter, Theodore M. (1995) *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life*, Princeton University Press

Powell, C. (2002), Remarks at Sovereign Credit Rating Conference, U.S. State Department, Washington, DC, <http://www.state.gov/secretary/former/powell/remarks/2002/9634.htm> (11 February, 2008)

Power, Michael., (2007) *Organized Uncertainty: Designing a World of Risk Management*, Oxford: Oxford University Press

Rose, Nikolas., (1999) *Powers of Freedom: Reframing Political Thought*, Cambridge University Press

Seabrooke, Leonard., (2006) 'Civilising Global Capital Markets: Room to Groove?', in Bowden, Brett and Seabrooke, Leonard., eds. *Global Standards of Market Civilization*, London: Routledge

Sinclair, Timothy., (2005) *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*, Ithaca: Cornell University Press

St Clair, Asuncion L. (2004) 'The role of ideas in the United Nations Development Programme', in Bøås, Morten and McNeill, Desmond., eds. *Global Institutions and Development: Framing the World?*, London: Routledge

Standards & Poor's and UNDP (2006), *Sovereign Ratings in Africa*, Sixth Edition, (September, 2006)

UNDP (2000), *The Way Forward: The Administrator's Business Plans 2000-2003*

UNDP (2005) *Budget Estimates for the Biennium 2006-2007*

UNDP (2007a), *Fast Facts*

UNDP (2007b) *Strategic Plan 2008-11*, Annex 3. UNDP's resources in real and nominal terms and in relation to ODA trends, DP/2007/19

UNDP (2007c) *Interviews*, New York.

UNDP (2008) *Annual Report*

UNDP (2009a) <http://www.undp.org/capacity/> Accessed 6.6.09

UNDP (2009b) *Interviews*, New York

ⁱ Benin, Botswana, Burkina Faso, Cameroon, Egypt, Ghana, Madagascar, Mali, Morocco, Mozambique, Nigeria, Senegal, South Africa, Tunisia, Kenya and Seychelles.